



**Harvard
Business
Review**

CLOUD: DRIVING A FASTER, MORE CONNECTED BUSINESS

SPONSOR PERSPECTIVE



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REPORT HIGHLIGHTS

84%

say their use of cloud
has increased

40%

say cloud has increased
their revenue

36%

say it has increased their
profit margin

39%

say cloud has increased
data security

The Debate Is Over, Now Things Are Getting Interesting

As this research shows, cloud has rapidly gone from the periphery to something that you can trust to run critical parts of your business. And that's what companies of all sizes in every sector are doing. They may have first been tempted by the promise of "the cloud," but now infrastructure as a service is just a standard part of their IT infrastructure.

CIOs and their peers are no longer debating the benefits—those are now well understood. In fact, the situation has been turned on its head. Just a few years ago, using cloud opened up exciting new opportunities for competitive advantage; now, when everyone's using it, you have to use cloud in imaginative ways to derive measurable advantage. But as one of the respondents says, not using it can put you at a significant disadvantage.

Cloud is delivering real financial results. Enterprises are seeing tangible customer benefits, improved collaboration, and bottom line growth as a result of deploying cloud.

IT and the lines of business are no longer adversaries, if they ever were. As cloud has become a familiar part of the enterprise IT environment, the IT department is definitely not in the shadows and has shown where it can add significant value. Getting out your credit card and experimenting with cloud was all well and good, but that's not how most organizations work—not if their business-critical enterprise apps and workloads require high availability and security.

Fewer organizations say that security is a barrier to adoption. Experience has shown that today's threats are very similar to the ones enterprises have been battling for years. And, in many cases, companies have found that these risks are easier to manage with the expertise of cloud providers than tackling them alone. That's why we see fewer organizations saying that security is a barrier to adoption.

Most clients tell us that they already have a cloud strategy. Now they want to talk about how to build a multicloud strategy, how to choose the right mix of environments, and how to make storage and computing from multiple vendors work together. They are also interested in learning how to give developers the tools that they need to create better, differentiating applications to improve collaboration, productivity, and the customer experience.

Cloud is no longer on the fringes of enterprise IT. But as it matures, there are new obstacles to be faced. Only now the challenges aren't about gaining acceptance, but about how to get more from cloud to keep driving growth and profitability.

CLOUD: DRIVING A FASTER, MORE CONNECTED BUSINESS

The business benefits of cloud call for a more strategic approach

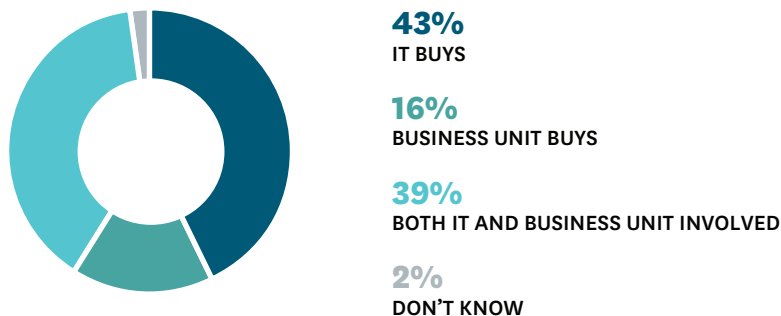
As cloud services have matured and adoption has increased, research has consistently shown that using cloud has enabled companies to act more quickly and to collaborate more easily. This has conferred competitive advantage on early adopters. Cloud's wider adoption, however, has set a new benchmark for business performance. The ability to adapt quickly is less of an advantage when everyone can do it; rather, not adopting cloud is becoming a competitive disadvantage. And the benefits of cloud are impressive. Forty percent of respondents to a new study from Harvard Business Review Analytic Services claim that using cloud has increased revenue, and 36 percent say it has increased profit margins.

Organizations that want to stay a step ahead are developing a more strategic approach to cloud adoption, management, and use. This manifests in various ways, with central IT either in control or providing guidance and support. [figure 1](#) Survey respondents increasingly prefer to work with established solution providers that offer a wider portfolio of services. Security is still a concern and the main inhibitor for those who are not yet using cloud, but that too is being addressed—both by better governance and security practices and by working with providers who make security a priority.

While cloud users in general enjoy positive business outcomes, achieving a competitive advantage is no longer a given as more organizations join the club. Advantage in the future will come from how well cloud is managed and to what extent companies can use it to decrease friction in all of their business activities.

FIGURE 1

WHO'S BUYING CLOUD?



ENTERPRISE CLOUD—IT’S WORTH THE EFFORT

Cloud usage in the enterprise continues to rise, with 84 percent saying their organization’s use has increased in the past year. It has moved past the first wave of applications, such as sales force automation, which was relatively easy to adopt. Today, cloud’s proven benefits are leading more organizations to use it for core business systems like supply chain management, and industry-specific services such as lab services or construction management. As their companies move toward using cloud for more mission-critical services, over two-thirds of respondents say they would rather work with established technology vendors that offer a wider solution portfolio than with newer niche players.

One of the problems with early cloud efforts was that they were done in a vacuum, with many projects initiated by business units with no IT involvement. Business leaders sought new capabilities without considering how a new service would connect to company systems or integrate with existing business processes. Even when this was taken into consideration, gateway services to securely connect internal systems to the cloud weren’t readily available. This limited the value of many early efforts by creating silos of data. That appears to be changing, with 62 percent of respondents saying their company is able to exchange data between multiple cloud services and/or internal systems.

Successful experiences with cloud have led many organizations to adopt a “cloud-first” policy. The U.S. federal government was one of the first to do this, as a means to cut costs and create greater access for citizens back in 2010. Many state governments quickly followed. Cloud-first has now hit the private sector, with close to a quarter of respondents (24 percent) saying they have such a policy. “Our cloud-first policy has encouraged business analysis and healthy debate about the total cost of ownership, business benefits, security, and data ownership/governance issues of cloud-based services versus IT-hosted services,” said one respondent.

KEY BENEFITS: SPEED AND DEEPER WORKING RELATIONSHIPS

Business agility has been the main benefit of cloud by a significant margin for the past few years, and it remains a leading benefit, with 71 percent saying their use of cloud has increased business agility in a number of key areas. One respondent said cloud has “decreased time to market when entering a new area or customer segment.” Another said, “The speed at which we exchange data between operations and clients has significantly increased. This has allowed for faster turnaround on decisions, fewer project delays, and increased cash flow.” A third said cloud lets them provide solutions to clients more quickly and effectively, even when those clients are spread out around the world.

In this study, agility was joined by increased collaboration as a top benefit, with 72 percent saying their organization’s use of cloud has made it easier to collaborate with colleagues. “[Cloud] allows business operations to more quickly share information and work cooperatively,” said one respondent. “Cloud has given the marketing department the ability to work more closely with engineering, sales, and the service department,” said another.

Most cloud proponents today agree that cloud’s value comes not from cost savings but from speed. Organizations that cut the time between identifying a need for a new capability and delivering it are seeing a real advantage. Facilitating more fluid working relationships across traditionally separate entities—inside and outside the organization—contributes to that speed.

SECURITY STILL TOP OF MIND

Security concerns are still the biggest inhibitor for those who have not adopted cloud; however, most respondents with cloud experience say its impact on data security has either been neutral (34 percent) or has actually increased it (39 percent). Only 10 percent say their use of cloud has decreased data security levels.

Cloud still suffers from a perception problem when it comes to security, however. One IT leader said his CEO cited the Target breach as his reason not to move to the cloud—despite the fact that the Target breach was not of a cloud-based system. The reality is that cloud in and of itself is no more or less secure than other models. It depends on the measures organizations and their providers take to secure the data. If policies and procedures aren’t robust, then data will be vulnerable wherever it is hosted.

Not surprisingly, then, providers’ security practices ranked as the most important quality respondents consider when evaluating which cloud services to use. [figure 2](#) Cloud providers have to do more to show decision makers that their services are at least as secure as the more traditional alternatives and help their customers manage risk appropriately for the business.

FIGURE 2
PROVIDER QUALITIES THAT MATTER MOST
What qualities are most important when evaluating cloud providers?
SELECT UP TO 3



80%

of respondents say that involving central IT increases the security and reliability of their cloud efforts

This may be one reason that the lines of business are increasingly turning to IT instead of going it alone. Eighty percent of respondents say that involving central IT increases the security and reliability of their cloud efforts, with 60 percent saying they strongly agree (rating it 8-10 on a 10-point scale).

CLOUD MANAGEMENT EVOLVES FOR GREATER BUSINESS IMPACT

Despite early fears that cloud would disenfranchise the IT organization, this has not been the case; only 16 percent of respondents say they usually purchase cloud services with no IT involvement. A significant percentage of cloud purchases (43 percent) are made by central IT, with another 39 percent made together. In these cases, central IT advises business units and departments on their cloud efforts, provides due diligence, and ensures security and interoperability concerns are addressed. Survey respondents were for the most part quite positive about the benefits of partnering with IT, claiming that it has increased not only security and reliability but also the ability to integrate cloud services with other company systems (cloud or not) and business processes. This ability to integrate disparate systems and data has become a key consideration in cloud purchases—57 percent feel strongly about that. Further, more than half (52 percent) feel strongly that involving central IT has lowered cost and complexity.

There is still work to be done to bring cloud practices to full maturity. For example, while 65 percent involve their company's security professionals in vetting potential cloud services, that still leaves many who don't. Only 45 percent have policies to define which applications are appropriate for cloud, and only 54 percent have guidelines for how those applications are contracted and approved. This needs to change—especially given that business units are involved in making cloud decisions in 55 percent of cases.

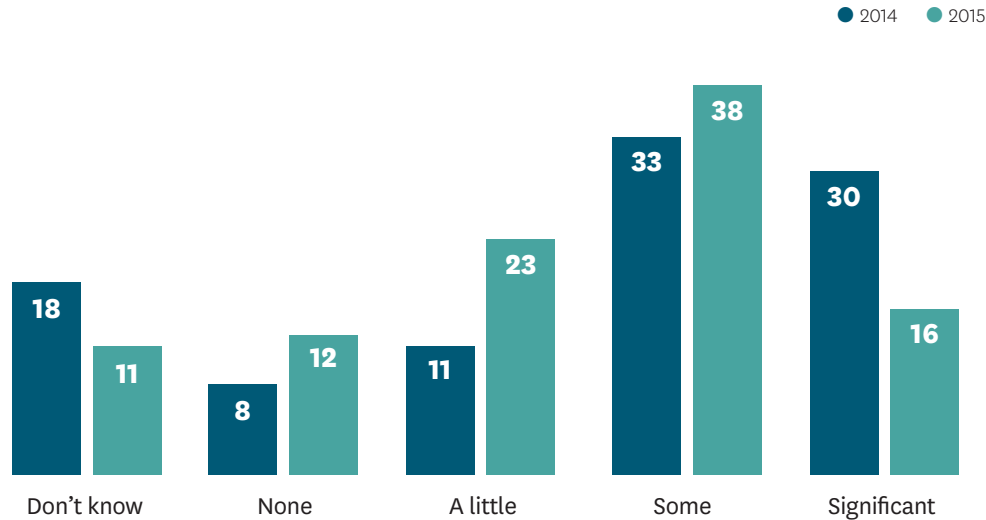
Respondents report that cloud's impact on business outcomes has been largely positive or neutral, with 40 percent saying that cloud has contributed to increased revenue at their company, and 36 percent say that it has contributed to increased profit margins.

We see similar results when it comes to the ability to enter new markets (38 percent increased, 46 percent no effect); their product range (41 percent increase, 43 percent no effect); or their ability to comply with regulations (36 percent increase, 43 percent no effect).

FIGURE 3

COMPETITIVE ADVANTAGE

Has cloud provided your organization with competitive advantage?



As more companies adopt cloud, doing so will naturally become less of a source of competitive advantage. While the percentage of respondents claiming to have gained competitive advantage from cloud is similar to that of last year (77 percent this year versus 74 percent last year), fewer claim significant advantage (16 percent this year versus 30 percent last year). [figure 3](#) But the costs of not using cloud could be great. As one respondent said, “Cloud is no longer a differentiator; however, not being on it would be a significant disadvantage.”

Advantage in the future will come from how well organizations adapt to the new, much faster, and more collaborative way of doing business that cloud makes possible. Cutting the time between identifying a need and filling it—and doing that in a secure and cost-effective way—is increasingly the goal of IT as a service. Success will depend on how well organizations manage not only their use of cloud but also the changes required in skills, processes, business models, and relationships—both inside and outside the traditional walls of the enterprise.

METHODOLOGY AND PARTICIPANT PROFILE

Harvard Business Review Analytic Services surveyed a total of 452 individuals. About a third (32 percent) were from organizations with over 10,000 employees, with another 31 percent from organizations with between 1,000 and 10,000 employees. Respondents’ own operating units were primarily in North America (37 percent) and Asia/Pacific (25 percent), with 19 percent from Europe, 12 percent from Latin America, and 5 percent from MEA. They represent a wide range of industries and functional areas, with close to a third (31 percent) saying they work in their organization’s IT department.

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